

Research Article

The Relationship Between Tax Morale, Tax Fairness, and Tax Complexity on Tax Compliance of MSME Taxpayers in Denpasar City

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Abstract: Taxpayer compliance plays a crucial role in increasing state revenue and supporting national economic development. This study aims to examine the relationship between tax morale, tax fairness, and tax complexity on the compliance of MSME taxpayers in Denpasar City. The research was conducted on MSME taxpayers who are actively registered with the Department of Cooperatives and MSMEs of Denpasar City. A purposive sampling technique was used to select a sample of 100 respondents from a total population of 29,949 MSME taxpayers in Denpasar. The data were analyzed using multiple linear regression. The results indicate that tax morale and tax fairness have a positive and significant relationship with MSME taxpayer compliance in Denpasar City. In contrast, tax complexity shows a negative but statistically insignificant relationship with taxpayer compliance. These findings provide empirical support for the Theory of Planned Behavior and Attribution Theory, highlighting the role of individual attitudes and perceptions in fulfilling tax obligations.

Keywords: Tax Morale, Tax Fairness, Tax Complexity, Taxpayer Compliance

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1. INTRODUCTION

Taxpayer compliance is a civic obligation mandated by the state and serves as a form of public responsibility in contributing to national revenue, which in turn supports national development (Romadhon, 2020)., where taxes are mandatory contributions without direct compensation (Sularsih, 2021). Micro, Small, and Medium Enterprises (MSMEs) are considered a key sector expected to enhance state revenue through taxation (Sularsih, 2021). To achieve sustainable economic development, taxpayer compliance is essential, particularly in fulfilling obligations such as submitting tax returns (SPT) accurately and on time (Pratama, 2024; Nandal, 2021). Compliance levels are influenced by various social, psychological, and administrative factors, including social norms, perceptions of fairness, and administrative complexity such as obtaining a taxpayer identification number (NPWP) (Angeles, 2021; Kaunang, 2024). Tax noncompliance remains a major challenge for policymakers in both developed and developing countries; therefore, a simpler and fairer tax system is crucial to encourage greater taxpayer compliance (Nandal, 2021; Angeles, 2021).

Table 2. Compliance Level of UMKM Taxpayers in Denpasar City

Information	Number of UMKM WP			
	2020	2021	2022	2023
Number of Registered MSMEs	32,226	29,549	29,749	29,949
Number of Annual MSME Tax Return Reports	13,377	12,672	11,986	11,316
Percentage of Compliance of UMKM Taxpayers	42%	43%	40%	38%

Source: Denpasar City Cooperatives and UMKM Service and Denpasar City Directorate General of Taxes, 2024

In reality, the number of MSME taxpayers registered with the Denpasar City Office of Cooperatives and MSMEs does not match the number of those who submit annual tax returns (SPT). This is reflected in data shown in Table 1, indicating that the tax compliance ratio among MSME taxpayers remains below 100 percent, even under 50 percent. The percentage of taxpayer compliance below full compliance level suggests a lack of awareness and adherence to tax obligations among MSME taxpayers.

This is in line with interview results with Mrs. Agung Dewi Kartika from the Denpasar City Office of Cooperatives and MSMEs, who explained that MSME operators—whether micro, small, or medium-sized—have the authority to register their businesses on the office’s website and the right to update their information independently without requiring approval from the Office of Cooperatives and MSMEs.

According to the Minister of Finance Regulation Number 164 of 2023 concerning the procedures for the imposition of income tax on business income received or earned by taxpayers with certain gross turnover, and the obligation to report business activities for registration as taxable entrepreneurs, it is stated that MSME actors are required to report their businesses to the Tax Office and register as taxpayers. Each MSME operator is expected to have both a Business Identification Number (NIB) and a Taxpayer Identification Number (NPWP), but in practice, possessing an NIB is often considered sufficient. As a result, many MSMEs—especially individual or conventional ones—only have an NIB without an NPWP.

Many MSME operators express fear and confusion over the perceived complexity of Indonesia’s tax system. This fear fosters tax avoidance behavior, which is associated with the taxpayer’s moral responsibility in fulfilling tax obligations. According to sources from the Denpasar Office of Cooperatives and MSMEs, MSME actors often prioritize improving their product quality over complying with tax obligations.

Tax compliance can be reflected in an individual’s behavior in fulfilling all their tax obligations (Syakura et al., 2022). Such behavior arises from behavioral intentions shaped by three main components: behavioral beliefs, normative beliefs, and control beliefs, as explained in the Theory of Planned Behavior (TPB) (Bosnjak, 2020). The TPB model significantly explains that taxpayer compliance is influenced by attitudes, subjective norms, and perceived behavioral control (Ainun, 2022; Angeles, 2021; Bosnjak, 2020; Syakura et al., 2022; Taing & Chang, 2021). Prior studies have provided empirical evidence that tax morale (Astuti, 2018; Dewi, 2024; Indrawan, 2022; Sularsih, 2021), tax fairness (Hauptman, 2024; Jihadun, 2024; Mugisha, 2023), and tax complexity (Dharmawan, 2021; Nandal, 2021; Primasari, 2022) significantly influence tax compliance.

In the context of tax compliance, attitude is related to tax morale, which refers to the tendency of taxpayers with stronger morals to demonstrate higher compliance behavior (Primasari, 2022). Taxpayers may voluntarily pay taxes even in the absence of strict enforcement due to intrinsic motivation rooted in the belief that paying taxes is a civic duty (Taing & Chang, 2021). Behavioral approaches generally emphasize that values, attitudes, perceptions, and taxpayer morality are crucial factors. Tax avoidance is not merely driven by tax rates or enforcement probabilities, but also by individual tendencies shaped by economic actors’ ethical standards (Bani-Khalid et al., 2022).

Subjective norms in tax compliance relate to perceived fairness in the tax system and the level of trust in the government (Natasya, 2022). Taxpayers are more likely to comply voluntarily if they believe the tax authority treats them fairly. Conversely, when taxpayers perceive the tax authority as responsible and transparent in utilizing tax revenues, it enhances their trust and promotes compliance (Taing & Chang, 2021).

Perceived behavioral control refers to the ease or difficulty of performing a behavior, shaped by past experiences and anticipated obstacles (Dharmawan, 2021). A complex tax system can increase the cost of compliance and create higher barriers for taxpayers, reducing their willingness to comply (Taing & Chang, 2021). Conversely, simplifying tax administration and providing proper guidance from tax officers can improve taxpayer compliance (Dharmawan, 2021).

The government has issued tax policies aimed at increasing the number of compliant MSMEs, as stipulated through Government Regulations. The term "taxpayer" refers to those who can exercise their tax rights and fulfill their tax obligations. Tax compliance is divided into formal and substantive tax obligations (Indrawan, 2022). In 2013, the government issued Government Regulation No. 46 of 2013, which set a 1% tax rate on gross turnover for MSMEs earning up to IDR 4.8 billion per year. The regulation aimed to ease the tax burden for MSMEs and improve their compliance (Anggreini, 2021).

This was followed by Government Regulation No. 23 of 2018, which replaced the previous rule and took effect on June 1, 2018. It reduced the final income tax rate for MSMEs from 1% to 0.5% (Anggreini, 2021). This rate is specified in Government Regulation No. 23 of 2018 on Income Tax for Business Income Received or Earned by Taxpayers with Certain Gross Turnover (Syakura et al., 2022).

In 2022, the government decided to replace Government Regulation No. 23 of 2018 with Government Regulation No. 55 of 2022. This policy includes an expansion of taxpayers subject to final income tax (PPh Final), covering cooperatives, partnerships, limited partnerships (CV), limited liability companies (PT), and village-owned enterprises (BUMDes). The regulation also retains several key provisions from Government Regulation No. 23 of 2018, such as the turnover threshold of IDR 4.8 billion, which is subject to a final income tax rate of 0.5%

In Bali, particularly in Denpasar City, the involvement of local communities, environmental preservation, and support for the local economy align with the philosophical principles of sustainable tourism development in the region. Denpasar City's new taxation regulations for MSMEs are governed by Regional Regulation (Perda) No. 5 of 2023 and further detailed in Mayor Regulation (Perwali) No. 1 of 2024. These rules aim to regulate regional taxes and retributions, including new provisions for MSME taxation in the area. (<https://jdih.denpasarkota.go.id>)

Table 2. MSME Development Sector in Denpasar City

Sector	Number of MSME Units				
	2019	2020	2021	2022	2023
Trading Industry	11,036	11,126	10,506	10,616	10,686
Agricultural Industry	17,013	17,078	15,798	15,818	15,858
Non-Agricultural Industry	1,383	1,413	1,022	1,057	1,112
Various Services	2,594	2,609	2,223	2,258	2,293
TOTAL	32,026	32,226	29,549	29,749	29,949

Source: Denpasar City Cooperatives and UMKM Service, 2023

Data from the Denpasar City Cooperative and UMKM Service explains that the development of UMKM in Denpasar city has experienced a significant increase every year in all sectors. In 2023 it will reach 29,949 UMKM units which are slowly improving as a form of tourism recovery in the province of Bali.

There are many factors that determine the activities of MSMEs, in particular, their performance. Taxation seems to be one of these factors, as the tax burden in many countries is considered too high and hinders small and medium enterprises. Taxation is closely related to the economic development of a country because it provides them with income. Revenue from taxes is necessary for the government to ensure the functioning of a country. (Roman et al., 2023).

One of the sectors that the Directorate General of Taxes is concerned about regarding tax compliance because it is not yet at the expected level of compliance, and has not been maximized in exploring its tax potential is Micro, Small and Medium Enterprises. The growth of MSMEs in the city of Denpasar continues to increase every year. The large number and development of MSMEs can certainly be utilized as a source of potential for tax revenue. However, the increase in the number of MSMEs is not in line with their contribution to tax revenue, which can be said to be still relatively low.(Kusumadewi & Dyarini, 2022).

This research was conducted at the Denpasar City Cooperative and UMKM Office to provide a new perspective on how tax morale, tax fairness and tax complexity play a role in UMKM taxpayer compliance. Existing research is often limited to certain areas, and uses Pratama Tax Service Offices such as DKI Jakarta(Yasmin, 2024), Bekasi City(Marwah, 2023)and the city of Banjarbaru(Nurizzaman, 2020).

Research on taxpayer compliance in MSMEs is relatively small, even very little. Many studies have been conducted in companies, business entities, and limited liability companies (PT). Previous studies have relatively used motor vehicle taxpayers(Karlina, 2020; Kurniawati, 2021)and individual taxpayers(Endrasti, 2023; Mursalin, 2021), while this study uses MSME taxpayers. The variables studied also use variables based on human behavior that lead to attitudes towards behavior, subjective norms, and perceived behavioral control.

Based on the background that has been described, the researcher is interested in conducting research with the title "The Relationship between Tax Morale, Tax Fairness, and Tax Complexity on Tax Compliance of MSMEs in Denpasar City".

2. RESEARCH METHODS

This study uses an associative quantitative design with a survey approach to test the effect of tax morale, tax fairness, and tax complexity on taxpayer compliance of MSMEs in Denpasar City. The study was conducted at the Denpasar City Cooperative and MSME Office which has direct access to data and MSME actors, providing a contextual understanding of tax challenges. The object of the study is MSME actors registered as taxpayers, with independent variables in the form of tax morale (X1), tax fairness (X2), and tax complexity (X3), and the dependent variable in the form of taxpayer compliance (Y). Each variable is measured using a five-point Likert scale based on indicators that have been formulated from previous theories and research. A sample of 100 respondents was determined using the Slovin formula from a population of 29,949 active taxpayers, with a purposive sampling technique based on certain criteria.

Data collection was conducted through an online questionnaire using Google Form, while the types of data used included primary data from the questionnaire and secondary data from related agencies. The validity and reliability of the instrument were tested using Pearson Correlation and Cronbach's Alpha through SPSS. Data were analyzed using descriptive statistics and classical assumption tests including normality, heteroscedasticity, and multicollinearity tests. To test the influence between variables, multiple linear regression analysis was used to determine the relationship, direction of influence, and prediction of dependent variables based on independent variables. This entire process is designed to ensure that the research results can be used as the basis for appropriate policies to improve tax compliance among MSMEs.

3. RESULTS AND DISCUSSION

Research Test Results

Validity Test Results

Table 3. Validity Test Results

Variables	Statement Items	Pearson Correlation	Information
Tax Morale (X1)	X1.1	0.752	Valid
	X1.2	0.766	Valid
	X1.3	0.783	Valid
	X1.4	0.663	Valid
	X1.5	0.800	Valid
	X1.6	0.686	Valid
Tax Fairness (X2)	X2.1	0.598	Valid

	X2.2	0.568	Valid
	X2.3	0.768	Valid
	X2.4	0.805	Valid
	X2.5	0.828	Valid
	X2.6	0.838	Valid
	X2.7	0.748	Valid
	X2.8	0.725	Valid
Tax Complexity (X3)	X3.1	0.837	Valid
	X3.2	0.895	Valid
	X3.3	0.862	Valid
	X3.4	0.713	Valid
	X3.5	0.833	Valid
Taxpayer Compliance (Y)	Y.1	0.809	Valid
	Y.2	0.890	Valid
	Y.3	0.772	Valid
	Y.4	0.750	Valid
	Y.5	0.670	Valid
	Y.6	0.718	Valid

Source: Processed Data, 2025

Based on the results of the validity test listed in Table 3, it can be concluded that all statement instruments for each variable in this study are valid because the correlation coefficient value is > 0.3 so that it can be used to test the research hypothesis.

Reliability Test Results

Table 0. Reliability Test Results

Variables	Cronbach's Alpha	Information
Tax Morale (X1)	0.816	Reliable
Tax Fairness (X2)	0.880	Reliable
Tax Complexity (X3)	0.887	Reliable
Taxpayer Compliance (Y)	0.861	Reliable

Source: Processed Data, 2025

Based on the results of the reliability test listed in Table 4, it can be concluded that the entire statement instrument for each variable in this study is reliable because the Cronbach's alpha value is > 0.6 so it can be used to test the research hypothesis.

Descriptive Statistical Analysis Results

Table 5. Results of Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Tax Morale	100	14	30	26.32	3,5387
Tax Fairness	100	19	40	34.38	4,5031
Tax Complexity	100	5	25	18.76	4,7971
Taxpayer Compliance	100	17	30	26.20	3,4728

Source: Processed Data, 2025

The results of the descriptive statistical analysis presented in Table 5 show the following results:

- 1) The tax moral variable has the lowest or minimum value of 14 and the highest or maximum value of 30, with a mean or average of 26.32 and a standard deviation of 3.5387. This indicates that most respondents gave a score on a fairly high scale for tax morale, with relatively small variations indicating a positive view.
- 2) The tax fairness variable has the lowest or minimum value of 19 and the highest or maximum value of 40, with a mean or average of 34.38 and a standard deviation of 4.5031. This indicates that the highest average result among other variables shows a positive view of the fairness of taxation in Denpasar City. The larger range of values indicates a variation in views among respondents.
- 3) The tax complexity variable has the lowest or minimum value of 5 and the highest or maximum value of 25, with a mean or average of 18.76 and a standard deviation of 4.7971.

This results in the lowest average compared to other variables, indicating that tax complexity may be a factor that is considered negative. A high standard deviation indicates a diversity of views on tax rules that are considered complex.

- 4) The taxpayer compliance variable has the lowest or minimum value of 17 and the highest or maximum value of 30, with a mean or average of 26.20 and a standard deviation of 3.4728. This indicates that respondents tend to have a positive view of taxpayer compliance. A high average value indicates a fairly good awareness of respondents towards tax compliance.

Classical Assumption Test Results

- 1) Normality Test

Tabel 6. Normality Test Results

	Unstandardized Residual
N	100
Asymp.Sig (2-tailed)	0,087

Based on Table 6, it can be seen that the result of the normality test in this study shows a significance level of 0.087 for the 100 samples, which is greater than 0.05. This indicates that the data are normally distributed.

- 2) TestHeteroscedasticity

Table 7. Heteroscedasticity Test Results

Variables	Sig
Tax Morale (X1)	0.528
Tax Fairness (X2)	0.396
Tax Complexity (X3)	0.367

Source: Processed Data, 2025

Based on the resultsThe heteroscedasticity test in Table 7 shows that there is no heteroscedasticity because the significance value of each independent variable is > 0.05 .

- 3) Multicollinearity Test

Table 8.Multicollinearity Test Results

Variables	Tolerance	VIF
Tax Morale (X1)	0.759	1,317
Tax Fairness (X2)	0.758	1,319
Tax Complexity (X3)	0.998	1,002

Source: Processed Data, 2025

Based on the data in Table 8 regarding the resultsmulticollinearity test, it can be concluded that there is no multicollinearity among independent variables in the regression model because the VIF (Variance Inflation Factor) value for each independent variable is < 10 and the tolerance value is > 0.1 .

Multiple Linear Regression Analysis Results

Table 9. Multiple Linear Regression Analysis Results

Variables	Unstandardized Coefficients		Standardized Coefficients	t.	Sig.
	B	Std. Error	Beta		
Constant	14,977	3,153		4,750	0,000
Tax Morale (X1)	0.213	0.105	0.217	2,029	0.045
Tax Fairness (X2)	0.189	0.083	0.246	2,294	0.024
Tax Complexity (X3)	-0.048	0.068	-0.066	-0.706	0.482

Source: Processed Data, 2025

Based on the data in Table 9, the constant value (α), the regression coefficient value of the tax moral variable, the regression coefficient value of tax fairness, and the regression coefficient value of tax complexity are as follows:

$$\alpha : 14,977$$

$$\beta_1 : 0.213$$

$$\beta_2 : 0.189$$

$$\beta_3 : -0.048$$

Based on data analysis with the help of the IBM SPSS Statistics version 27 application, the following regression model equation results were obtained:

$$Y = 14.977 + 0.213X_1 + 0.189X_2 - 0.048X_3 + e$$

The regression equation above shows the relationship between the independent variable and the dependent variable partially, so from this equation it can be concluded that:

- 1) The constant value of 14.977 indicates that if the variables Tax Morale (X_1), Tax Fairness (X_2), and Tax Complexity (X_3) have constant values, then the Taxpayer Compliance variable (Y) has a value of 14.977.
- 2) The beta coefficient value of the Tax Morale variable (X_1) is 0.213, if the value of other variables is constant and the X_1 variable increases, then the Taxpayer Compliance variable (Y) will increase by 21.3 percent. Likewise, if the value of other variables is constant and the X_1 variable decreases, then the Taxpayer Compliance variable (Y) will decrease by 21.3 percent.
- 3) The beta coefficient value of the Tax Fairness variable (X_2) is 0.189, if the value of other variables is constant and the X_2 variable increases, then the Taxpayer Compliance variable (Y) will increase by 18.9 percent. Likewise, if the value of other variables is constant and the X_2 variable decreases, then the Taxpayer Compliance variable (Y) will decrease by 18.9 percent.
- 4) The beta coefficient value of the Tax Complexity variable (X_3) is -0.048, if the value of other variables is constant and the X_3 variable increases, then the Taxpayer Compliance variable (Y) will decrease by 4.8 percent. Likewise, if the value of other variables is constant and the X_3 variable decreases, then the Taxpayer Compliance variable (Y) will increase by 4.8 percent.

Model Feasibility Results (F Test)

Table 10. Model Feasibility Test Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	197,937	3	65,979	6,359	0.001
	Residual	996,063	96	10,376		
	Total	1194,000	99			

Source: Processed Data, 2025

Based on the results of the model feasibility test (F Test) listed in Table 10, it can be seen that the ANOVA significance value is $0.001 < 0.05$ so that the regression model created is suitable for use to explain the relationship between tax morale, tax fairness, and tax complexity on MSME taxpayer compliance in Denpasar City.

Results of the Determination Coefficient Test (R^2)

Table 11. Results of the Determination Coefficient Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.407	0.166	0.140	3.22113

Source: Processed Data, 2025

Based on the results of the determination coefficient test (R^2) listed in Table 11, it can be seen that the Adjusted- R^2 determination coefficient value is 0.14. This means that 14 percent of the variation in taxpayer compliance is influenced by the variables of tax morale, tax fairness, and tax complexity, while the rest is influenced by other factors or variables outside the model in this study.

Hypothesis Test Results (t-Test)

1) First Hypothesis Test Results

The calculated t value of the Tax Morale variable (X_1) is $2.029 >$ the t table value of 1.984 and the sig. value is $0.045 < 0.05$, so H_0 is rejected and H_1 is accepted, meaning that the Tax Morale variable has an effect on Taxpayer Compliance.

2) Second Hypothesis Test Results

The calculated t value of the Tax Fairness variable (X_2) is $2.294 >$ the t table value of 1.984 and the sig. value is $0.024 < 0.05$, so H_0 is rejected and H_1 is accepted, meaning that the Tax Fairness variable has an effect on Taxpayer Compliance.

3) Third Hypothesis Test Results

The calculated t value of the Tax Complexity variable (X_3) is $-0.706 <$ t table value of 1.984 and the sig. value is $0.482 > 0.05$, so H_1 is rejected and H_0 is accepted, meaning that the Tax Complexity variable has no effect on Taxpayer Compliance.

4. Discussion

The Relationship Between Tax Morality and Taxpayer Compliance

The first hypothesis in this study posits that tax morality has a positive relationship with MSME taxpayer compliance. The test results indicate that tax morality is positively and significantly associated with taxpayer compliance among MSMEs in Denpasar City, thereby confirming the hypothesis. This suggests that the higher the tax morality possessed by taxpayers, the greater their level of compliance. Tax morality can be understood as an internal drive or conscience that compels individuals to fulfill their tax obligations—manifesting as anxiety or guilt when failing to fulfill their responsibilities as Indonesian citizens (Dewi, 2024).

Tax morality represents the taxpayer's honesty in fulfilling tax responsibilities. This can be observed through a sense of responsibility and self-awareness as a citizen contributing to the national economy by fulfilling tax obligations under a self-assessment system (Dharmawan, 2021). Taxpayer morality is closely linked to the complexity of tax regulations. The reduction of final income tax rates for MSMEs with annual turnover below IDR 4.8 billion—from 1% to 0.5% under Government Regulation No. 23 of 2018, which was updated by Government Regulation No. 55 of 2022—may increase taxpayer initiative and morality. MSME taxpayers in Denpasar are more willing to comply because they perceive the lower rate as more beneficial and easier to understand. This indicates that higher levels of tax morality lead to greater tax compliance among MSME taxpayers in Denpasar (Timothy, 2021).

The Relationship Between Perceived Fairness and Taxpayer Compliance

The second hypothesis states that perceived fairness in taxation has a positive relationship with MSME taxpayer compliance. The results confirm this hypothesis, showing a positive and significant relationship between perceived fairness and taxpayer compliance among MSMEs in Denpasar City. This implies that the more equitable the tax rules are perceived to be, the higher the taxpayer compliance.

Perceived fairness in taxation is closely tied to the concept of tax justice, which reflects impartiality in how the tax system is applied. It emphasizes equity and non-discrimination in tax policy (Sondakh, 2021). This fairness is demonstrated in the government's decision to reduce the final income tax rate for MSMEs under Government Regulation No. 55 of 2022—from 1% to 0.5%, as previously outlined in Government Regulation No. 23 of 2018 (Anggreini, 2021). The rate reduction is considered more reasonable and less burdensome for MSMEs. Consequently, MSME taxpayers in Denpasar feel more motivated and perceive the new regulations as fairer and less complex, which contributes to higher compliance levels (Sondakh, 2021).

The Relationship Between Tax Complexity and Taxpayer Compliance

The third hypothesis proposes that tax complexity negatively affects MSME taxpayer compliance. However, the test results reject this hypothesis, showing that although the relationship is negative, it is not statistically significant in Denpasar City. This indicates that the more complex the tax rules are, the less likely taxpayers are to comply—but in this case, the effect is not strong enough to be meaningful.

Tax complexity can be seen in the time and effort required for tax planning, the difficulty of interpreting tax laws, lengthy procedures, and associated costs. However, this complexity does not significantly affect MSME taxpayer compliance in Denpasar. In other words, taxpayer behavior does not appear to be heavily influenced by the complexity or frequent changes in tax regulations (Kristanto, 2023).

This may be attributed to the widespread use of tax consultants by MSMEs, which helps them navigate tax regulations and fulfill their obligations (Primasari, 2022). Moreover, the self-assessment system implemented by the government plays a key role. This system allows taxpayers to calculate, pay, and report taxes independently, fostering a sense of responsibility and tax awareness—both of which are essential to taxpayer compliance (Primasari, 2022).

The tax rules for MSMEs are also not perceived as overly complex. According to Government Regulation No. 55 of 2022 (an update of Regulation No. 23 of 2018), the final income tax rate for MSMEs was reduced from 1% to 0.5% (Anggreini, 2021). The calculation process remains relatively simple compared to larger corporations, whose tax regulations are

more complex and contain numerous requirements. As a result, tax complexity is not a significant factor affecting MSME taxpayer compliance in Denpasar City.

5. CONCLUSION

- 1) Tax morale has a positive and significant relationship with MSME taxpayer compliance in Denpasar City. This implies that the higher the level of tax morale possessed by taxpayers, the higher their level of compliance.
- 2) Perceived tax fairness has a positive and significant relationship with MSME taxpayer compliance in Denpasar City. This means that the more equitable the tax regulations implemented by the authorities, the greater the level of taxpayer compliance.
- 3) Tax complexity has a negative but insignificant relationship with MSME taxpayer compliance in Denpasar City. This indicates that the more complex the tax regulations are, the lower the level of taxpayer compliance tends to be. However, since the relationship is not statistically significant, it suggests that the current tax system is still considered simple and easy to understand by MSME taxpayers in Denpasar.

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